

## After mid-term

\*\*\* مسائل المهمة :  
باقي المسائل المذكور لهم  
يركز عليها

### Tax on profits of Juridical persons:

page 3 → 6

### Sales tax:

page 7 → 8

page 9 → 10

لا يوجد تعديل في Discount

الوجود في page 10

والذكر سوف يتم بإظهار Discount كالتالي:

• Actual discount were as Follows:

6000 For housing and stay.

500 For Foods

200 For conference

سوف يقوم بالنار كلمة

Discount to clients cannot exceed the limit of 5%

page 11 → 12

page 15 → 17



Before mid-term

\* السائل المهمة :

Tax on Commercial and industrial activities:

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page 18 → 24

page 67 → 70

page 53 → 64

آخر مذكره تم أخذها قبل Mid-term

page 41 → 48

+ page 65 66

\*\* يتم المذاكرة كالاتي :Mid-term أولاً

[ ] مذاكرة الى بعد

ونركز جداً على السائل المهمة التي تم تحديدها في الصفحة السابقة

[ ] مذاكرة الى Before mid-term

كله معانا ولكن نركز على السائل المهمة التي تم تحديدها في أعلى الصفحة.



**Tanta University - Faculty of commerce**  
**Tax Accounting – Fourth year(14/11/20016)**

**English Section**

**Med-term exam 2016/2017**

**Time: 60 Minutes**

**Question One**

The income statement of a company showed a net income of L.E 72,500. The tax audit revealed that the following amounts were considered as expenses.

1. Donations of L.E 19,300 were paid during the year as follows:

- a) L.E 2,000 paid to a foreign school in Cairo. This school is not under the supervision of the Ministry of Education.  
 b) L.E 1,800 paid to needed people in the district where the company is located.  
 c) L.E 4,000 paid to Al-Salam Hospital which is a private hospital under the supervision of the Ministry of Health.

2. L.E 15,000 provision for doubtful accounts. Of this amount L.E 9,000 for bankrupt customers and L.E 6,000 for insolvent customers.

3. L.E 2,600 Allowance for unforeseen events.

4. L.E 60,000 social insurance premiums. Monthly Premium is L.E 6,000.

5. L.E 12000 for legal claim against the company but still not resolved in the court.

6. L.E 28,000 provision for retirement compensation. This amount was granted to the saving fund of employees, which is a separate legal entity and has special regulation. The monthly salaries are L.E 10,000.

7. Taxes paid by the company included L.E 14,000 taxes paid by an independent branch located in Rome.

**Required: Determine the taxable net income**

**Question Two** page 41 → illustration(7).

The income statement of Pro.Abo-Romman Company showed a net income of L.E 45,851. The tax audit revealed that the following amounts were considered as expenses.

1. Salaries expense included L.E 150, a monthly salary to Pro.Abo-Romman sister working as a bookkeeper.

2. Insurance premiums include L.E 1,800 life insurance premiums and L.E 1,200 reimbursable deposits.

3. Tax expense includes:

- a) L.E 700 real estate taxes for premises owned and occupied by the firm.  
 b) L.E 3,500 taxes on commercial and industrial profit for last year,



4. Miscellaneous expenses include:

- a) L.E 600 fine for violating price quotations.
- b) L.E 1,400 theft losses. Petty cash safe was stolen.

5. Bad debts include L.E 1,300 related to an insolvent customer. The debt was due on May 31, 2005.

6. Advertising expense includes L.E 1,400 paid to Al-Ahram agency for advertisements that will be published during the next year 2006.

7. L.E 3,800 tips and gratuities (total sales revenue L.E 363,251).

**Required:** Determine the taxable net income for the year 2005 providing necessary explanations.

### Question three

Assume that a taxpayer reported a loss of L.E 40,000 for the tax year 1991, the loss did not agree by the tax department, and the results of his business activities for the years 1992-1997 were as follows:

| Year | Income (loss) |                                 |
|------|---------------|---------------------------------|
| 1992 | 5,000         |                                 |
| 1993 | 6,000         | خارجه 1991 - 40,000 \$ لم توافق |
| 1994 | 10,000        | عليها مطلة الضرائب وبالتالي     |
| 1995 | 8,000         | تعتبرها كأنها ليس لها وجود      |
| 1996 | (9,000)       | بالألة                          |
| 1997 | 25,000        | وعند عمل جدول الحارة نجد أن     |
|      |               | بعام 1996 أول حارة معترف        |
|      |               | بها ونقوم بعمل جدول مثل         |

**Required:**

Determine the adjusted taxable net income for each year. page 71 في ورده الشرح ولكن يبدأ  
في عام 1996

مهمة page 72

Good luck (buona Fortuna)

**Dr. Bassam Baroma**

*[Signature]*



Part 1: Dr Medhat El Guindy (45 Marks)

Answer the following Exercises:

✓ Ex 1: The income statement shown below was prepared by a company to accompany its income tax return for 2015:

|                                | L.E.    | L.E.    |
|--------------------------------|---------|---------|
| Sales                          | 600,000 |         |
| Deduct : Cost of sales         | 350,000 |         |
| Gross profit                   |         | 250,000 |
| Operating Expenses             |         |         |
| - Depreciation of fixed assets | 40,000  |         |
| - Additional depreciation      | 5,000   |         |
| - Amortization of goodwill     | 3,000   |         |
| - Miscellaneous expenses       | 5,000   |         |
| - Insurance expense            | 10,000  |         |
| - Advertising expense          | 5,600   |         |
| - Tax expense                  | 7,000   |         |
| - Donations                    | 30,000  |         |
| - Provisions                   | 20,000  |         |
| Subtotal                       |         | 125,600 |
| Net Income                     |         | 124,400 |

The tax audit revealed the following:

1. Book value of fixed assets at the beginning of the year, L.E. 90,000.
2. Costs of a new machine used in production during the year, L.E. 40,000.
3. Development and improvement costs of machinery and equipment during the year, L.E. 10,000.
4. Selling price of assets disposed during the year, L.E. 17,000.
5. Indemnity from the insurance Co. for the destruction of a machine by fire, L.E. 8,000.
6. Goodwill was purchased 3 years ago for the amount of L.E. 50,000.
7. Insurance premiums include L.E. 4000 life insurance premiums and L.E. 1500 reimbursable deposits.
8. Advertising expense includes L.E. 2000 paid to an agency for advertisements that was published during the current year. The remaining is the cost of an advertising campaign bought on March 1, 2015.  $[2000 \text{ no adj.}] [5600 - 2000 = 3600 \div 3 \text{ years} = 1200] \times \frac{10}{12} = 1000$
9. Tax expense includes:
  - L.E. 2000 real estate taxes for premises owned and occupied by the firm.
  - L.E. 5,000 taxes on commercial and industrial profit for last year.
10. Donations of L.E. 30,000 were paid during the year as follows: L.E. 10,000 paid to the local governmental unit in Tanta and L.E. 6,000 paid to the University of Tanta hospital. L.E. 10,000 paid to the Red Crescent Association and L.E. 4,000 paid to Al-Salam Hospital which is a private hospital under the supervision of the Ministry of Health.
11. The company recorded L.E. 5000 provision for increasing prices of assets and L.E. 15,000 provision for doubtful accounts. Of this amount L.E. 9000 for bankrupt customers and L.E. 6000 for insolvent customers.



look  
page  
8  
مذكرة

Tax audit revealed that the following items were not recorded:

12. Recovered bad debts of L.E. 25,000 of which L.E. 8,000 were not approved by the tax department as uncollectible in 2014. The remainder was approved as bad debts in 2014.
13. Organization cost of L.E. 30,000 which were paid in 2010.
14. Salaries tax of L.E. 20,000 on the employees' salaries and compensations.
15. L.E. 12,000 for legal claim against the company but still not resolved in the court.

Required:

- 1- Prepare as schedule showing the tax adjustments to the accounting net income to determine the taxable net income for the year 2015 providing necessary explanations.
- 2- Show the calculation of the depreciation base.

Ex 2:

The following information is taken from the books and the tax return of XYZ Corporation, an Egyptian stock company:

- Accounting income 500,000 Egyptian pounds.
- Omitted sales of 40,000 Egyptian pounds.
- Merchandise sent to branches during the year and remaining on hand 39,000 Egyptian pounds at sale price. The ratio of profit to cost is 30%.
- Purchase of a machine with a total cost of 20,000 was recorded as purchases.
- Inventory for merchandise that the company has from manufacturers for distribution (on consignment) with total value of 15,000 Egyptian pounds was included in the company's own inventory.
- The general and administrative expenses include compensation for board members of 10,000 Egyptian pounds, 20,000 Egyptian pounds remunerations for meeting attendance, and 15,000 Egyptian pounds allowance for shareholders attendance for the general assembly of the company.
- Revenues omitted the company's share of profits from investments of a foreign company abroad. However, other expenses include foreign tax of 8,000 at a rate of 32%.
- General expenses include interest expense of 165,000 Egyptian pounds. The total equity of the company is 210,000 Egyptian pounds. The company's weighted average interest rate on all loans is 10%.

Required:

Determine taxable income for the XYZ Corporation.

*Best wishes*

*Dr Medhat El Guindy*



Q1) the following are the sales made by the Abu-Romman manufacturing corporation, a registered sales tax client, during the month of January 2015.

Sales of X product subject to 10% tax rate:

page 7

251119

\*sales to final consumers in Egypt L.E 50,000

\*sales made through own distribution channels L.E 40,000 (whole sale discount is 20%).

\*export sales L.E 25,000

\*sales returns and allowances from December 2014 sales L.E 15,000.

\*sales to final consumer are subject to 10% trade discount and 5% cash discount.

\*product warranty bought by customers for goods sold in January is L.E 10,000.

**Required:** Determine the tax base and sales tax for the month of January 2015.

Q2) the Wiely Import/Export company imported the following items during the month of March 2015:

Auto parts with source invoice of \$2,000,000. Leather products of \$1,000,000, and Drugs of \$3,000,000

Assume: a) Exchange rate of the dollar is L.E 4 for the dollar.

page 11

b) Tariff rates are 25% for auto parts, 20% for the leather products and 10% for drugs

c) Handling and downloading of imported goods is 3%.

d) There is a subsidizing fee for the appropriate industry at a rate of 1%.

**Required:** Determine the tax base for the above items and the sales tax due on the tariffs release point.

Q3) the Lion corporation, a registered tax collector, reported the following sales summaries for the month of July 2015:

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\*sales to end consumer L.E 4,500,000, representing 75% of the goods produced during the month. Sales tax rate is 10%.

\*sales returns and allowances L.E 250,000.

\*purchased parts needed for the final product making the sales.

\*L.E 1,100,000 including 10% sales tax paid to the supplier.

\*80% of the parts bought during the month were used in manufacturing during July 2015.

\*of the total sales during the month was L.E 1,200,000 for exports.

**Required:** Determine: a) tax base for the month      B) tax deductions      c) taxes paid

Good luck (buona Fortuna)

**Dr. Bassam Baroma**



Tax audit revealed that the following items were not recorded:

المراجعة الضريبية اكتشفت أن العناصر التالية لم يتم تسجيلها  
في الدفاتر: [العمل لم يتم بتسجيلها]

12-

Recovered bad debts \$25000 "2015"

\$8000  
not approved  
in 2014

[no adjustment]

\$17000  
Approved in  
2014

[add]

13-

organization cost \$30,000 [2010]

يتم عمل إهلاك لتكاليف تأسيس الشركة على مدار 3 سنوات

$$\$30,000 \div 3 \text{ years} = \$10,000 / \text{year}$$



[2010 + 2011 + 2012]

وبالتالي لا يوجد إهلاك في عام 2015

No adjustment

لأنه بالفعل لم يتم بتسجيلها



14. Salaries tax \$20,000

مؤيية المرتبات

[No adjustment]

لا يجوز للعيل طرح مؤيية المرتبات والعيل بالفعل لا يقوم  
بطرحها

15. \$12,000 [No adjustment]

لأنه العيل بالفعل لم يقم بطرحها



Ex (2) ✓

[ Juridical persons ] شركة مساهمة corporation

The following data are taken from the books and tax return of the East Co., corporation company, for the fiscal year ended December 31, 2006.

- 1- Accounting income L. E. 500.000.
- 2- Inventory of raw materials as follows,
  - Beginning inventory 600 units @ L. E. 9.00
  - purchases in January 800 units @ L.E 10.00
  - purchases in April 1.000 units @ L.E. 11.00
  - purchases of July 700 units @ L.E. 12.00
  - purchases of November 900 units @ L.E. 13.00
  - Sales in December 3.000 units.
  - The company changed its materials inventory method from FIFO to LIFO
- 3- The company sent merchandise on consignment to distributor centers during the year with mark -up of 30% of the cost . At year end, the balance of sum merchandise was L.E. 26.000 at sale price.



4- Merchandise sent to branches during the year and remaining on hand at sale price L.E. 42.000 . The ratio of profits to cost is 40%.

5- purchased patent with total cost of L.E. 20.000 was recorded as purchases a entered into the calculation of merchandise available for sale by error.

6- Earned sales of L.E. 33.500 but were not recorded during the current year.

**Required :-**

- (1) Calculate the taxable income for the above company.

solution



(2) Raw materials available:-

|               |                          |   |
|---------------|--------------------------|---|
| 4000<br>units | Beginning inventory      | 600 units @ \$ 9  |
|               | Purchases :-             |   |
|               | Jan                      | 800 units @ 10  |
|               | April                    | 1.000units @ 11   |
|               | July                     | 700 units @ 12  |
|               | Nov                      | 900 units @ 13  |
|               | Ending inventory         | 1.000 units $\left[ \begin{smallmatrix} 2^{th} \\ 4000 \\ \text{units} \end{smallmatrix} - \begin{smallmatrix} \text{sold} \\ 3000 \\ \text{units} \end{smallmatrix} \right]$ |
|               | Cost of ending inventory | cost of ending inventory  |
|               | Under FIFO               | Under LIFO  |
|               | $900 * 13 = 11.700$      | $600 * 9 = 5.400$   |
|               | $100 * 12 = 1.200$       | $400 * 10 = 4.000$  |
|               | <hr/>                    | <hr/>   |
|               | 12.900                   | 9.400   |

There is understate = \$ 3.500

3- sale price of un sold goods      26.000  $\rightarrow$  130%

Unrealized profit      ?  $\rightarrow$  30%

So

Unrealized profit = \$ 6.000      (Deduct)



4- sale price of un sold goods 42.000 → 140%

Unrealized profit ? → 40%

So

Unrealized profit = \$ 12.000 (Deduct)

5- cost of patent \$ 20.000 (Add)

Amortization of patent =

$20.000 * 10\% = \$ 2.000$  (Deduct)



To compute taxable Net income.

|   |        |          |
|---|--------|----------|
| Accounting income,  |        | 500.000  |
| Add :-  |        |          |
| (2) understatement of ending Inventory                    | 3.500  |          |
| (5) cost of patent.                                       | 20.000 |          |
| (6) unrecorded sales.                                     | 33.500 |          |
|   | -----  | 57.000   |
|   |        | -----    |
|   |        | 557.000  |
| Deduct :-   |        |          |
| (3) unrealized profits consignment                        | 6.000  |          |
| (4) unrealized profits of goods<br>that sent to branches. | 12.000 |          |
| (5) Amortization of patent.                               | 2.000  |          |
|   | -----  | (20.000) |
|   |        | -----    |
| Taxable net income.                                       |        | 537.000  |



Ex (5) ✓

The Following information are taken from the Accounting records and the tax from of sun Rise Company for the taxable year Ended Dec. 31.2008:-

1- Accounting Net Income 500.000

2- Inventory of raw materials :-

Beginning inventory 600 units, unit price is 6.000 purchases during Jan . 900 units @ 7.00 , purchases in March 900 units @ 8.00, purchases of July 500 units @ 10.000, purchases of Nov. 500 unit @ 10.00, Ending inventory on Dec. 31, 2008 is 600 units For the ended year of 2008, the company changed the method of valuing its inventory of raw materials From FIFO to LIFO.

3- The company sent merchandise on consignment to distributor centers during the year with mark- up of 40% of the cost. At the end of the year , the balance of this merchandise is 14.000 at sale price.

4- purchase of a merchandise Fork- Lifter with total cost of 10.000 was recorded as purchases and entered into the calculation of merchandise available for sale , The estimated useful life of the Fork- Lifter is 5 years with zero salvage value.



5- Revenue include profits of 50.000 from a subsidiary for contributions made at time of foundation.

بكتب ناتج من الفرع في تاريخ تكوينه وتأسيـة  
[ معنى ]

6- Revenues omitted the company's profit from investments of a Foreign company abroad. Also, expenses include Foreign taxes of 8.000 at a rate of 32% of this income.

**Required :-**

1- Determine Taxable Income for this company .



## 2- Raw materials available:-

|                              |                          |
|------------------------------|--------------------------|
| Beginning inventory          | 600 units @ \$ 6         |
| Purchases :- Jan             | 900 units @ 7            |
| March                        | 900 units @ 8            |
| July                         | 500 units @ 10           |
| Nov                          | 500 units @ 10           |
| Ending inventory             | 600 units                |
| Cost of ending inventory     | cost of ending inventory |
| Under FIFO                   | under LIFO               |
| 500 * 10 = \$ 5.000          | 600 * 6 = 3.600          |
| 100 * 10 = 1.000             |                          |
| 6.000                        | 3.600                    |
| There is understate \$ 2.400 | ( Add)                   |

3- Sale price of unsold goods 14.000 140%

Unrealized profit ? 40 %

4- Cost of Fork – Lifter \$ 10.000 (Add) وحقوق بطوح

5- Foreign taxes 32 % 8.000 Depreciation  
امتعلق بالذلة

Revenues 100 % ?

Investment Revenues = \$ 25.000



1- To compute taxable income.

|   |        |          |
|---|--------|----------|
| Accounting net income.                  |        | 500.000  |
| Add :-                                  |        |          |
| (2) understatement of ending inventory. | 2.400  |          |
| (4) cost of fork lifter.                | 10.000 |          |
| (6) Investment revenues.                | 25.000 |          |
|   | -----  | 37.400   |
|   |        | -----    |
| Deduct :-                               |        | 537.400  |
| (3) unrealized profits of consignment.  | 4.000  |          |
| (4) depreciation of for lifter.         | 2.500  |          |
| (5) profits from a subsidiary.          | 50.000 |          |
|   | -----  | (56.500) |
|   |        | -----    |
| Taxable income                          |        | 480.900  |